

NORTH CAROLINA'S ESTATE TAX: REAL IMPACT ON REAL FAMILIES



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Repealing the Estate Tax Will Create Jobs

- A study by the Institute for Research on the Economics of Taxation concludes that estate taxes “result in a reduced stock of capital,” and that such consequences are “borne by the labor force” through lost jobs.
- Repealing the estate tax will encourage more capital investment by increasing the rate of return on that investment. Increased investment means a growing economy and more jobs.

Entin, Stephen J., “Kill the Death Tax,” Institute for Research on the Economics of Taxation. Sept. 5, 2007.
Available at: http://www.nodeathtax.org/uploads/view/839/kill_the_death_tax_2007.pdf

The Estate Tax Will Affect a Growing Share of Farms and Businesses

- As of Jan. 1, 2013, the estate tax exemption will drop from \$5 million to \$1 million.
- This will greatly increase the number of small businesses and farms affected by the estate tax.
- Data from Fiscal Research suggests the lower exemption could trigger a ***ten-fold increase*** in the number of estates impacted.

Spreadsheet of taxable estates for years 2007, 2008 and 2009 obtained via email from Fiscal Research. The number of estates valued at \$1 million or more compared to \$5 million in each year showed: a 943% increase in 2007, a 572% increase in 2008 and an 899% increase in 2009.

Repealing the Estate Tax Will Not Negatively Impact Charitable Giving

- Some argue that people will give more to charity -- both throughout their life and as bequests -- as a way of avoiding paying taxes on their estate. If there was no estate tax, they argue, these people wouldn't donate as much to charity because there would be no tax avoidance needed.
- A prominent 2004 Congressional Budget Office report is often cited. That report also declares that a repeal of the estate tax would have the most significant negative impact on charitable bequests.

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- The year 2010 presents the perfect test for that theory, as the federal estate tax was repealed for one year.
 - Research by the Giving USA Foundation shows that charitable bequests *increased by 18 percent* in 2010.
 - Thus, empirical evidence refutes the theory.

Giving USA Foundation (2011). Giving USA 2011: The Annual Report on Philanthropy for the Year 2010. Available at: http://www.givingusareports.org/products/GivingUSA_2011_ExecSummary_Print.pdf

Estate Tax Generates Only a Tiny Fraction of State Revenue

- The estate tax generated only one-half of one percent and four-tenths of one percent of state revenue in FY 2009 and FY 2010, respectively.
- Even with the significantly lower exemption affecting many more small businesses and farms, the estate tax would still generate less than 1 percent of state revenue in the future.

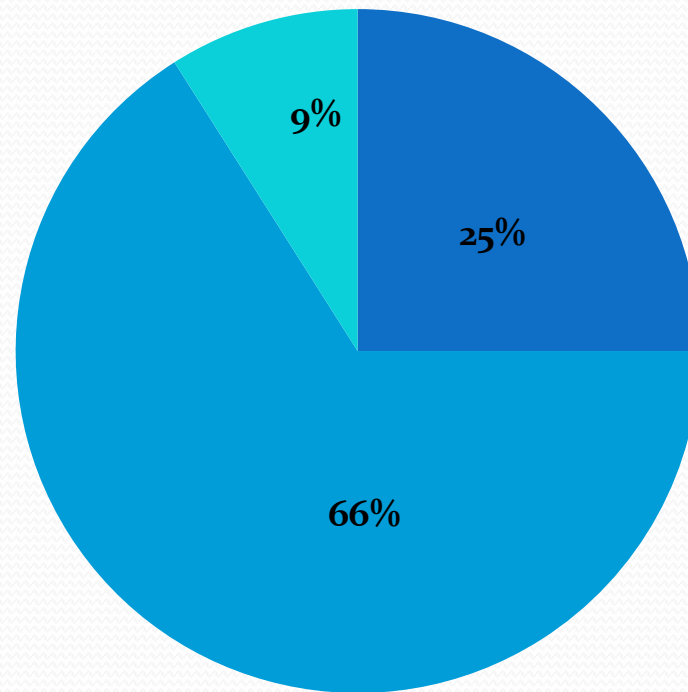
North Carolina Office of State Controller, General Fund Monthly Financial Report; June 30, 2010.

Available at: http://www.osc.nc.gov/pdfs/June_2010_Gen_Fund_Mthly_Rpt.pdf

Fiscal Research projects estate tax revenue of \$171 million for FY 2015. Reasonable projections would place state revenue to be roughly \$20 billion in that year, thus estate tax revenue would be less than 1%.

Voters Overwhelmingly Oppose the State's Estate Tax

Do You Support or Oppose the State Estate Tax?



■ Support ■ Oppose ■ Don't Know/Refused



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